



MEMORANDUM

To: Reporters and Editors
From: Carol Guthrie for Senate Finance Committee Chairman Max Baucus (D-Mont.)
Re: GAO report on IRS Emergency Planning

Please note that the GAO has delivered a report requested by Finance Committee Chairman Max Baucus (D-Mont.) on IRS Emergency Planning and its usefulness during the 2006 flood emergency at the agency's headquarters. GAO found that while established strategies helped the IRS respond to the flood that shut down the Constitution Avenue building, the agency's multiple emergency plans still contain gaps that might hamper the IRS's recovery from a larger emergency or terrorist attack. The report, "IRS Emergency Planning: Headquarters Plans Supported Response to 2006 Flooding, but Additional Guidance Could Improve All Hazard Preparedness," can be found on the GAO website (report GAO-08-579). Chairman Baucus commented on the report today:

"As the GAO notes, the revenue collected by the IRS is almost all of the country's cash on hand. The agency absolutely must be able to regroup in any emergency, large or small," said Baucus. "This report shows there are still some potholes to patch on the IRS's road to recovery. The Finance Committee will expect the new Commissioner to follow through."

Baucus initiated close oversight of the IRS's flood response and overall emergency plans in July 2006. Following please find information and text of letters to IRS Commissioner Mark Everson, Treasury Inspector General Russell George, and GAO Comptroller David Walker.

For Immediate Release
July 12, 2006

BAUCUS WANTS CLOSE WATCH ON IRS HEADQUARTERS SHUTDOWN

Calls for regular updates to Congress, disruption details, review of continuity plan

Washington, DC – U.S. Senator Max Baucus (D-Mont.), Ranking Democrat on the Senate Finance Committee, today launched an effort to closely monitor the shutdown of IRS headquarters facilities due to flooding. Baucus sent letters to IRS Commissioner Mark Everson,

Treasury Inspector General Russell George, and GAO Comptroller General David Walker, requesting details on damage, regular updates on repair efforts and contractor oversight, assessments of disruptions of service to American taxpayers, and a thorough review of the effectiveness of the IRS Continuity of Operations Plan (COOP). The COOP is in place to ensure that the nation's tax system continues to operate effectively in the event of a natural disaster or terrorist attack.

"These repairs are going to cost many millions of dollars, and there needs to be strong oversight at IRS and in the Congress to make sure the job is done right and cost-effectively. And this is precisely the kind of situation for which the IRS continuity plan was developed, so we need to know whether that plan works to keep the tax system running and serving American citizens," said Baucus. "The IRS Commissioner, the Inspector General and the GAO need to stay on top of the situation, and Congress should make sure that's the case."

Electrical and maintenance equipment at the 1111 Constitution Avenue facility was largely destroyed in 20 feet of standing water during recent rains, and the 2,400 IRS employees who work at the facility are located elsewhere. Estimates indicate that it may take several months to fully reopen the building. The text of Baucus's letters (requests bolded) is on the following pages.

July 12, 2006

The Honorable Mark W. Everson
Internal Revenue Service
1111 Constitution NW
Washington, DC 20224

Dear Commissioner Everson:

The IRS's Headquarters building in Washington, D.C. is closed because of extensive damage due to recent flooding. The subbasement that holds all of the building's electrical and maintenance equipment was submerged in more than 20 feet of water and the equipment appears to be 95 percent damaged or destroyed. While the IRS has made progress in clean-up and decontamination, the building may be closed until next year. The costs of remediation are expected to run in the tens of millions of dollars.

This incident underscores the importance of a comprehensive IRS continuity of operations plan to ensure that our nation's tax system will be able to operate effectively in the event of a natural disaster or terrorist act. The 2,400 employees who work at the building have been relocated to other IRS-occupied buildings in the metro area or into temporary space, and some are telecommuting. Although the IRS has reported that all business units have extensive business resumption plans that have been executed, the Committee has learned that many workers do not have access to the necessary equipment or data to carry out their official duties. The disruption of headquarters operations raises important questions about the adequacy of IRS's contingency plans.

I am requesting that you provide a report on the incident and keep the Committee apprised of the IRS's progress to repair the damage and return to normal operations. Specifically, the report should include 1) a list of repairs/replacements that will be made; 2) the projected cost and the source of funds to pay for the remediation; 3) the timetable for repairs and resumption of normal operations; 4) the IRS's plans to oversee the contractors to ensure the IRS is receiving what it is paying for on a timely basis; 5) a discussion of the problems encountered and lessons learned while implementing contingency plans; and, 6) the impact on tax administration resulting from the disruption.

I am also writing to the Government Accountability Office to request a review of the IRS's Continuity of Operations Plan and the Treasury Inspector General for Tax Administration to determine to what extent IRS operations have been impacted and the costs and challenges associated with this incident.

Sincerely,

Max Baucus
Ranking Member

July 12, 2006

The Honorable J. Russell George
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Mr. George:

The IRS's Headquarters building in Washington, D.C. is closed because of extensive damage due to recent flooding. The subbasement that holds all of the building's electrical and maintenance equipment was submerged in more than 20 feet of water and the equipment appears to be 95 percent damaged or destroyed. While the IRS has made progress in clean-up and decontamination, the building may be closed until next year. The costs of remediation are expected to run in the tens of millions of dollars.

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I am requesting the TIGTA to determine the extent and nature of disruptions to IRS operations, and to identify the functions and locations that have been the most impacted, as a result of the flooding. What costs and challenges does the IRS face in dealing with the damages incurred and the interruption of normal operations? How does the IRS plan to pay for the remediation? In addition, TIGTA should consider the impact on taxpayers and tax administration.

I am also writing to the Government Accountability Office to request a review of the IRS's Continuity of Operations Plan and to the IRS asking for an assessment of the damages incurred and to keep the Committee apprised of the agency's plans to repair and replace damaged property.

Sincerely,

Max Baucus
Ranking Member

July 12, 2006

The Honorable David M. Walker
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Walker:

The IRS's Headquarters building in Washington, D.C. is closed because of extensive damage due to recent flooding. The subbasement that holds all of the building's electrical and maintenance equipment was submerged in more than 20 feet of water and the equipment appears to be 95 percent damaged or destroyed. While the IRS has made progress in clean-up and decontamination, the building may be closed until next year. The costs of remediation are expected to run in the tens of millions of dollars.

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I am requesting that the GAO review the IRS's Continuity of Operations Plan to determine whether it was adequate to continue effective operations following the recent flooding. The review should describe the plan and the extent to which the IRS followed it. GAO should consider whether the plan was successful in mitigating the consequences of the damage and identify limitations or weaknesses that were found in the plan. For example, to what extent are the 2,400 displaced employees able to perform their duties? Has the level of service to taxpayers been disrupted? To what extent has the closure of IRS Headquarters affected field operations?

I am also writing to the IRS and to the Treasury Inspector General for Tax Administration (TIGTA). I am asking the IRS to provide an assessment of the damages incurred and to keep the Committee apprised of the agency's plans to repair and replace damaged property. I am asking the TIGTA to determine to what extent IRS operations have been impacted and the anticipated costs associated with restoring the building back to a safe and usable condition.

Sincerely,

Max Baucus
Ranking Member

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